

CASE STUDY #5

**ACQUISITION OF LAND FROM A COMMERCIAL ENTITY AND
CONSTRUCTION OF A BUILDING AND LAND IMPROVEMENTS
BY A COMMERCIAL CONSTRUCTION FIRM
OVER MULTIPLE YEARS**

**PREPARED BY THE
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This document is one of a series of accounting case studies designed by the Financial Management Domain to ascertain whether entries required to record transactions are contained in DoD's Standard General Ledger transaction library. This version of the case, dated December 17, 2004, supersedes all previous versions. The transaction library is discussed in a separate document entitled "Concept of Operations for the DoD Standard General Ledger Transaction Library, based on the U.S. Government Standard General Ledger," draft version 2.0, which these cases accompany. As a useful cross-reference, the tables below each transaction in the case studies refer to DoD Transaction Codes used in the transaction library.

NATURE OF THE CASE

This is an illustrative accounting case study for acquisition of land from a commercial firm and construction of a building and land improvements for DoD by a commercial contractor. The construction is financed by multi-year appropriations, which begin in "year 1" and expire at the end of "year 2."

The following transactions are illustrated, with entries, in standard general journal form, using United States Government Standard General Ledger (USSGL) accounts.

Transactions include:

- Realization of multi-year appropriations.
- Apportionment, allotment, and commitment of budgetary resources.
- Obligations with and without advances.
- Receipt, accrual, and payment for acquisition of land, building and land improvements construction work and completion, including advances, progress payments, and contract holdbacks.
- Overpayment to the contractor, and collection back in the next year.
- An upward adjustment of an undelivered order without an advance.
- Capitalization of DoD entity expenses related to the building.
- Capitalization of asset transferred in from another agency and used to add value to land.
- Transfer from Construction in Process to Building account after placing the completed building in service.
- Depreciation of the building and land improvements after placing the assets in service.
- Expiration of authority at the end of Year 2.
- Cancellation of authority at the end of Year 7.
- Closing entries.

For Fiscal Years 1, 2, 3, and 7, the case provides pre- and post-closing trial balances, and indicates relationship that can be expected among the budgetary, proprietary, and memorandum accounts involved. The following financial statements are illustrated, as applicable, with crosswalks prepared for each:

- Statement of net cost.
- Statement of changes in net position.
- Statement of budgetary resources.
- Statement of financing.
- Balance sheet.

The case is designed primarily for an audience of accountants with knowledge of federal generally accepted accounting principles relating to budgetary and proprietary accounting for authority, which does not expire. Its purpose is to provide a benchmark against which to test the transactions and reporting modules of an accounting system to see if they result in essentially the same journal entries, trial balances, and financial statements.

Some caveats and additional remarks:

- Transactions are summarized for the year, and generally are illustrated only once. In practice, of course, they would occur numerous times.
- Only transactions related to the cost of the land, land improvements, and building are presented. This includes both direct acquisition and construction by non-federal contractors and payroll and benefits of the agency for which transactions are illustrated for inspection, monitoring, and testing. All these transactions add value to the land, land improvements, or building.
- To save space, single-year statements are presented, rather than comparative statements showing the current and prior year.
- Small numbers are used to facilitate reading and comprehension. All amounts should be considered material.
- While the case illustrates a number of common transactions, there is no intent or claim to provide for every possible transaction or variation of transactions. Accordingly, while the relationships between and among the account balances are as indicated in the case, the formulas for the relationships could be more complex if additional transactions were included.

The sections of the case follow in this order, with accounting cycles illustrated for each of Fiscal Years 1, 2, 3, and 7:

- Accounts used
- Transactions for the year
- Pre-closing trial balances
- Relationships among accounts in the pre-closing trial balances
- Closing entries

- Post-closing trial balances
- Relationships among accounts in the post-closing trial balances
- Financial statements.

Additional information is provided in footnote disclosures or notes within the text throughout.

ACCOUNTS USED IN THE CASE

Budgetary, proprietary, and memorandum accounts used in the case are set forth in the tables of this section. Within the transactions and trial balances, titles may be abbreviated or clarified. In some cases, where an account is broad enough to encompass more than one item to be separately recorded or reported, the account number is used for two separate accounts. For example, depreciation expense is broken out in the case by 6710 Depreciation Expense – Buildings and 6710 Depreciation Expense – Land Improvements.

BUDGETARY ACCOUNTS USED IN THE CASE

4119 Other Appropriations Realized
 4201 Total Actual Resources - Collected
 4450 Unapportioned Authority
 4510 Apportionments
 4610 Allotments – Realized Resources
 4700 Commitments
 4801 Undelivered Orders – Obligations, Unpaid
 4802 Undelivered Orders – Obligations, Prepaid/Advanced
 4881 Upward Adjustments of Prior-Year Undelivered Orders - Obligations, Unpaid
 4901 Delivered Orders – Obligations, Unpaid
 4902 Delivered Orders – Obligations, Paid
 4972 Downward Adjustments of Prior-Year Paid Delivered Orders - Obligations,
 Refunds Collected

PROPRIETARY ACCOUNTS USED IN THE CASE

1010 Fund Balance with Treasury
 1310 Accounts Receivable
 1450 Prepayments
 1711 Land and Land Rights
 1712 Improvements to Land
 1719 Accumulated Depreciation on Improvements to Land
 1720 Construction-in-Progress
 1730 Buildings, Improvements, and Renovations
 1739 Accumulated Depreciation on Buildings, Improvements, and Renovations
 2110 Accounts Payable
 2130 Contract Holdbacks
 3100 Unexpended Appropriations – Cumulative
 3101 Unexpended Appropriations – Appropriations Received
 3106 Unexpended Appropriations – Adjustments
 3107 Unexpended Appropriations – Appropriations Used
 3310 Cumulative Results of Operations
 5700 Expended Appropriations
 5720 Financing Sources Transferred In Without Reimbursement
 6710 Depreciation, Depletion, and Amortization: Buildings
 6710 Depreciation, Depletion, and Amortization: Land Improvements

MEMORANDUM ACCOUNTS USED IN THE CASE

8801 Offset for Purchases of Capitalized Assets
 8802 Purchases of Capitalized Assets

TRANSACTIONS—FISCAL YEAR 1

1-1. The entity prepared its request for apportionment of a two-year appropriation of \$100,000, which included monies to acquire land and construct a building and land improvements (entry roads, lighting, and a parking lot), along with monies to pay for the entity's expenses of using its personnel to inspect and otherwise monitor the work.

4119 Other Appropriations Realized	100,000	
4450 Unapportioned Authority		100,000
1010 Fund Balance with Treasury	100,000	
3101 Unexpended Appropriations – Received		100,000 ¹

¹ Note that, per FASAB Standard #7, the Fund Balance with Treasury is recorded based on the legislation having been passed rather than upon receipt of a Treasury warrant, which might be delayed for some time after the start of the year.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A104	A104-017	4119	4450	1010	3101	100,000

1-2. OMB approved the request for apportionment.

4450 Unapportioned Authority 100,000

4510 Apportionments

100,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A116	A116-001	4450	4510			100,000

1-3. The apportionment was allotted.

4510 Apportionments 100,000

4610 Allotments – Realized Resources

100,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			100,000

1-4. The allotment was committed.

4610 Allotments – Realized Resources 100,000

4700 Commitments

100,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			100,000

1-5. The agency entered into an agreement to purchase land for \$12,000 plus an estimated \$500 in various charges upon closing, and issued an appropriate obligating document for that. \$2,000 was paid into escrow, to be credited against the purchase at closing.

4700 Commitments 12,500

4801 Undelivered Orders Without Advances 10,500

4802 Undelivered Orders With Advances 2,000

1450 Prepayments 2,000

1010 Fund Balance with Treasury 2,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B206	B206-006	4700	4802	1450	1010	2,000
B204	B204-003	4700	4801			10,500

1-6. The purchase of land in the preceding transaction was consummated. The actual fees, including payment of outstanding liens on the property and for easements, amounted to \$750. The agency approved the higher amount, and the additional \$250 was provided by reducing the commitment account.

4801 Undelivered Orders Without Advances	10,500	
4802 Undelivered Orders With Advances	2,000	
4700 Commitments	250	
4901 Delivered Orders – Unpaid		10,750
4902 Delivered Orders – Paid		2,000
4901 Delivered Orders – Unpaid	10,750	
4902 Delivered Orders – Paid		10,750
1711 Land and Land Rights	12,750	
1450 Prepayments		2,000
2110 Accounts Payable		10,750
2110 Accounts Payable	10,750	
1010 Fund Balance with Treasury		10,750
3107 Unexpended Appropriations – Used	12,750	
5700 Financing Sources from Appropriations Used		12,750
8802 Purchases of Capitalized Assets	12,750	
8801 Offset for Purchases of Capitalized Assets		12,750

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B302	B302-011	4801	4901	1711	2110	10,750
B404	B404-036	4802	4902	1711	1450	2,000
B204	B204-003	4700	4801			250
B110	B110-001	4901	4902	2110	1010	10,750
E202	E202-001			8802	8801	12,750
B134	B134-001			3107	5700	12,750

1-7. A \$5,250 contract to grade the land, provide drainage required by building codes, and raze an existing building on the land was let. No advances were given.

4700 Commitments 5,250
4801 Undelivered Orders Without Advances 5,250

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B204	B204-003	4700	4801			5250

1-8. The contract in transaction #7 was completed at the agreed-upon price and paid for.

4801 Undelivered Orders Without Advances 5,250
4901 Delivered Orders – Unpaid 5,250

4901 Delivered Orders – Unpaid 5,250
4902 Delivered Orders – Paid 5,250

1711 Land and Land Rights 5,250
2110 Accounts Payable 5,250

2110 Accounts Payable 5,250
1010 Fund Balance with Treasury 5,250

3107 Unexpended Appropriations – Used 5,250
5700 Financing Sources from Appropriations Used 5,250

8802 Purchases of Capitalized Assets	5,250	
8801 Offset for Purchases of Capitalized Assets		5,250 ²

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B302	B302-011	4801	4901	1711	2110	5,250
B110	B110-001	4901	4902	2110	1010	5,250
B134	B134-001			3107	5700	5,250
E202	E202-001			8802	8801	5,250

1-9. A contract for \$6,000 was let to construct a parking lot, lighting, and roads leading into the property, along with a second contract for \$70,000 to construct a building. Advances of \$10,000 were given under the latter contract.

4700 Commitments	76,000	
4801 Undelivered Orders Without Advances		66,000
4802 Undelivered Orders With Advances		10,000
1450 Prepayments	10,000	
1010 Fund Balance with Treasury		10,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B206	B206-006	4700	4802	1450	1010	10,000
B204	204-003	4700	4801			66,000

1-10. An invoice for \$15,000 was received for the building construction work for the remainder of the year. Under the terms of the contract, the \$10,000 advance was to

² This is recorded as though it was a direct purchase of land. An alternative would be to first record the costs as operating expenses/program costs in account 6100 (debiting 6;100 instead of 1711), and then make an entry debiting 1711 and crediting 6610, Cost Capitalization Offset. Since the costs were incurred solely for the land, as opposed to being incurred for general operations as well, it seems more efficient to treat the transaction the same as for a direct purchase. Notes to the financial statements, which would probably include mention of the construction, could provide any clarifying information needed. Note that accounts 6610 and 8802, designed to feed the statement of financing section on resources which do not fund costs, both provide exactly the same function of setting forth a reconciling item between net budgetary and non-budgetary resources and net cost of operations. Unless a separate line on the statement was set forth for each, it would probably not be necessary to provide an explanation of the recording method used. Either method will produce the same result.

remain outstanding. After inspecting and approving the work covered by the invoice, the \$15,000 was paid.

4801 Undelivered Orders Without Advances	15,000	
4901 Delivered Orders – Unpaid		15,000
4901 Delivered Orders – Unpaid	15,000	
4902 Delivered Orders – Paid		15,000
1720 Construction in Progress	15,000	
2110 Accounts Payable		15,000
2110 Accounts Payable	15,000	
1010 Fund Balance with Treasury		15,000
3107 Unexpended Appropriations – Used	15,000	
5700 Financing Sources from Appropriations Used		15,000
8802 Purchases of Capitalized Assets	15,000	
8801 Offset for Purchases of Capitalized Assets		15,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B304	B304-039	4801	4901	1720	2110	15,000
B110	B110-001	4901	4902	2110	1010	15,000
B134	B134-001			3107	5700	15,000
E202	E202-001			8802	8801	15,000

1-11. Costs incurred by the agency for inspection of the work by its employees, which were properly chargeable to the appropriation, were determined and allocated, based on hours of work, as follows:

	Land	Building	Total
Salaries	\$200	\$800	\$1,000
Benefits	60	240	300

These costs had been paid by another appropriation, for operations, which processes and funds the agency's payroll. The construction appropriation reimbursed the operating appropriation for the costs related to construction inspections.

4700 Commitments	1,300	
4801 Undelivered Orders without Advances		1,300
4801 Undelivered Orders without Advances	1,300	
4901 Delivered Orders – Unpaid		1,300
4901 Delivered Orders – Unpaid	1,300	
4902 Delivered Orders – Paid		1,300
1711 Land and Land Rights	260	
1720 Construction in Progress	1,040	
2110 Accounts Payable		1,300
2110 Accounts Payable	1,300	
1010 Fund Balance with Treasury		1,300
3107 Unexpended Appropriations – Used	1,300	
5700 Financing Sources from Appropriations Used		1,300
8802 Purchases of Capitalized Assets	1,300	
8801 Offset for Purchases of Capitalized Assets		1,300 ³

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B204	B204-003	4700	4801			1,300
B302	B302-011	4801	4901	1711	2110	260
B304	B304-039	4801	4901	1720	2110	1,040
B110	B110-001	4901	4902	2110	1010	1,300
B134	B134-001			3107	5700	1,300
E202	E202-001			8802	8801	1,300

1-12. No work had been performed on the contract let for the parking lot and roads as of fiscal year-end.

(No entries required.)

³ See note 3, which applies here.

**PRE-CLOSING TRIAL BALANCES
–FISCAL YEAR 1**

Budgetary, proprietary, and memorandum trial balances of accounts at September 30, after transactions 1-1 through 1-12, are set forth below (debits as positive amounts, credits in parentheses).

Budgetary

4119 Other Appropriations Realized	\$100,000
4201 Total Actual Resources – Collected	- 0 -
4450 Unapportioned Authority	- 0 -
4510 Apportionments	- 0 -
4610 Allotments	- 0 -
4700 Commitments	(4,700)
4801 Undelivered Orders without Advances	(51,000)
4802 Undelivered Orders with Advances	(10,000)
4881 Upward Adjustments of PY Undel Orders w/o Adv.	- 0 -
4901 Delivered Orders Payable	- 0 -
4902 Delivered Orders Paid	(34,300)
4972 Downward Adjustment of Prior-Year Del. Orders Paid	- 0 -

Proprietary

1010 Fund Balance with Treasury	\$ 55,700
1450 Prepayments	10,000
1711 Land and Land Rights	18,260
1712 Improvements to Land	- 0 -
1719 Accumulated Depreciation on Improvements to Land	- 0 -
1720 Construction-in-Progress	16,040
1730 Buildings, Improvements, and Renovations	- 0 -
1739 Accumulated Depreciation on Buildings	- 0 -
2110 Accounts Payable	- 0 -
2130 Contract Holdbacks	- 0 -
3101 Unexpended Appropriations – Received	(100,000)
3106 Unexpended Appropriations – Adjustments	- 0 -
3107 Unexpended Appropriations – Used	34,300
3310 Cumulative Results of Operations	- 0 -
5700 Financing Sources from Appropriations Used	(34,300)
5720 Non-Budgetary Transfers-in	- 0 -
6710 Depreciation Expense – Buildings	- 0 -
6710 Depreciation Expense – Land Improvements	- 0 -

Memorandum

8801 Offset for Purchases of Capitalized Assets	(\$34,300)
8802 Purchases of Capitalized Assets	34,300

RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES

Note that the following correct relationships between the various accounts in the trial balances hold (in addition to the standard “debits = credits” requirement). The arithmetic shown uses absolute values for the account balances. Balances are pre-closing unless indicated by a “B” (designating “beginning balance”).

1. $4119 + 4201 - 4802 - 4902 + 4972 = 1010$ [$\$100,000 + \$-0- - \$10,000 - \$34,300 + \$-0- = \$55,700$]
2. $4802 = 1450$ [$\$10,000 = \$10,000$]
3. $4901 = 2110 + 2130$ [$\$-0- = \$-0- + \$-0-$]
4. $4901-4901B + 4902 - 4902B = 5700$ [$\$-0- - \$-0- + \$34,300 - \$-0- = \$34,300$]
5. $3107 = 5700$ [$\$34,300 = \$34,300$]
6. $8801 = 8802$ [$\$34,300 = \$34,300$]

CLOSING ENTRIES

Closing entries for the budgetary, proprietary, and memorandum accounts are set forth below.

Budgetary Closing Entries

CB 1-1. Unobligated authority was consolidated into account 4450.

4700 Commitments	4,700	
4450 Unapportioned Authority		4,700

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F210	F210-006	4700	4450			4,700

CB1-2 Intentionally Left Blank.

CB 1-3. Budgetary cash accounts were consolidated.

4902 Delivered Orders Paid	34,300	
4201 Total Actual Resources – Collected	65,700	
4119 Other Appropriations Realized		100,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F214	F214-001	4902	4201			34,300
F204	F204-040	4201	4119			100,000

POST-CLOSING TRIAL BALANCES

--FISCAL YEAR 1

Budgetary, proprietary, and memorandum trial balances of accounts at September 30, after closing entries, are set forth below (debits as positive amounts, credits in parentheses).

Budgetary

4119 Other Appropriations Realized	\$ -0-
4201 Total Actual Resources – Collected	65,700
4450 Unapportioned Authority	(4,700)
4510 Apportionments	- 0 -
4610 Allotments	- 0 -
4700 Commitments	- 0 -
4801 Undelivered Orders without Advances	(51,000)
4802 Undelivered Orders with Advances	(10,000)
4881 Upward Adjustments of PY Undel Orders w/o Adv.	- 0 -
4901 Delivered Orders Payable	- 0 -
4902 Delivered Orders Paid	- 0 -
4972 Downward Adjustment of Prior-Year Del. Orders Paid	- 0 -

Proprietary

1010 Fund Balance with Treasury	\$55,700
1450 Prepayments	10,000
1711 Land and Land Rights	18,260
1712 Improvements to Land	- 0 -
1719 Accumulated Depreciation on Improvements to Land	- 0 -
1720 Construction-in-Progress	16,040
1730 Buildings, Improvements, and Renovations	- 0 -
1739 Accumulated Depreciation on Buildings	- 0 -
2110 Accounts Payable	- 0 -
2130 Contract Holdbacks	- 0 -
3100 Unexpended Appropriations – Cumulative	(65,700)
3101 Unexpended Appropriations – Received	- 0 -
3106 Unexpended Appropriations – Adjustments	- 0 -
3107 Unexpended Appropriations – Used	- 0 -
3310 Cumulative Results of Operations	(34,300)
5700 Financing Sources from Appropriations Used	- 0 -
5720 Non-Budgetary Transfers-in	- 0 -
6710 Depreciation Expense – Buildings	- 0 -
6710 Depreciation Expense – Land Improvements	- 0 -

Memorandum

8801 Offset for Purchases of Capitalized Assets	\$ - 0 -
8802 Purchases of Capitalized Assets	- 0 -

RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES

Note that the following correct relationships between the various accounts in the trial balances hold (in addition to the standard “debits = credits” requirement). The arithmetic shown uses absolute values for the account balances.

1. $4201 - 4802 = 1010$ [$\$65,700 - \$10,000 = \$55,700$]
2. $4802 = 1450$ [$\$1,200 = \$1,200$]
3. $4901 = 2110 + 2130$ [$\$-0- = \$-0- + \$-0-$]
4. $8801 = 8802$ (both must be $\$-0-$) [$\$-0- = \$-0-$]

FINANCIAL STATEMENTS

The following condensed financial statements are illustrated:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance, which would have account balances of all zeros for Year 1) or an “E” (from the post-closing trial balance).

**Construction Appropriation Entity
Statement of Net Cost
For Fiscal Year 1**

None. (There are no expenses or exchange revenues for the entity.)

**Construction Appropriation Entity
Statement of Changes in Net Position
For Fiscal Year 1**

Cumulative Results of Operations:

		Crosswalk
Cumulative Results of Operations October 1	\$ -0-	3310B
Financing Sources from Appropriations Used	<u>34,300</u>	5700
Cumulative Results of Operations September 30	<u>\$34,300</u>	Must = 3310E

Unexpended Appropriations:

Unexpended Appropriations October 1	\$ -0-	3100B
Appropriations Received	100,000	3101
Appropriations Used	<u>(34,300)</u>	3107
Unexpended Appropriations September 30	<u>\$ 65,700</u>	

**Construction Appropriation Entity
Statement of Budgetary Resources
For Fiscal Year 1**

RESOURCES

Unobligated Balance Forward	\$ -0-	Crosswalk 4450B
New Resources:		
Appropriations	<u>100,000</u>	4119
Total Resources	<u>\$100,000</u>	

STATUS OF RESOURCES

Obligated	\$95,300	4801/2,4901/2,E-B
Unobligated—available for new obligations	<u>4,700</u>	<u>\$100,000</u> 4450E

**RELATIONSHIP OF
OBLIGATIONS TO OUTLAYS**

Obligations	\$95,300	Crosswalk From Sec 2
Non-Cash Net Obligations ^(a)	<u>(51,000)</u>	Table (a)
Net Outlays	<u>\$44,300</u>	
Components of Net Outlays		
Disbursements	<u>\$44,300</u>	4802,4902E-B

^(a)*Non-Cash Net Obligations:*

	<u>Beginning of Year</u>	<u>End of Year</u>	<u>Change</u>
Undelivered Orders Without Advances	\$ -0-	\$51,000	\$51,000
Budgetary Accounts Payable	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Non-Cash Obligations	<u>\$ -0-</u>	<u>\$51,000</u>	<u>\$51,000</u>

Crosswalk for Non-Cash Net Obligations:

	<u>Beginning of Year</u>	<u>End of Year</u>
Undelivered Orders Without Advances	4801B	4801E
Budgetary Accounts Payable	4901B	4901E

**Construction Appropriation Entity
Statement of Financing
For Fiscal Year 1**

Net Obligations (from statement of budgetary resources)	\$95,300	Crosswalk SOBR, Sec 3
Items in Net Obligations Not Funding Net Cost of Operations:		
Increase in Undelivered Orders	\$61,000	4801/2E-B
Purchases of Assets and Capitalized Costs	<u>(34,300)</u>	8802
Net Cost of Operations	<u>\$ -0-</u>	

**Construction Appropriation Entity
Balance Sheet
At the End of Fiscal Year 1**

ASSETS		Crosswalk
Fund Balance with Treasury	\$ 55,700	1010
Prepayments	10,000	1450
Land and Land Rights	18,260	1711
Construction Work in Progress	<u>16,040</u>	1720
TOTAL ASSETS	<u>\$100,000</u>	
NET POSITION		
Unexpended Appropriations	\$ 65,700	3301E
Cumulative Results of Operations	<u>34,300</u>	3310E
TOTAL NET POSITION	<u>\$100,000</u>	

TRANSACTIONS—FISCAL YEAR 2

2-1. The entity prepared its request for apportionment of the remaining \$4,700 of unobligated authority brought forward.

(No entry required.)⁴

2-2. OMB approved the request for apportionment.

4450 Unapportioned Authority 4,700
4510 Apportionments 4,700

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A116	A116-001	4450	4510			4,700

2-3. The apportionment was allotted.

4510 Apportionments 4,700
4610 Allotments – Realized Resources 4,700

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			4,700

2-4. The allotment was committed.

4610 Allotments – Realized Resources 4,700
4700 Commitments 4,700

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			4700

⁴ Since there is no new authority for which an apportionment is requested, no journal entry is needed. All remaining unobligated resources are already present in the opening trial balance.

2-5. It was determined that the contractor in transaction 1-8 had miscomputed an item on its invoice, and that \$50 was due back to the government for an overpayment.⁵

1310 Accounts Receivable	50	
1711 Land and Land Rights		50

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C212	C212-011			1310	1711	50

2-6. Construction work on the roads and parking lot was completed and approved at the amount of the contract price of \$6,000, for which an invoice was received.

4801 Undelivered Orders Without Advances	6,000	
4901 Delivered Orders – Unpaid		6,000
4901 Delivered Orders – Unpaid	6,000	
4902 Delivered Orders – Paid		6,000
1712 Improvements to Land	6,000	
2110 Accounts Payable		6,000
2110 Accounts Payable	6,000	
1010 Fund Balance with Treasury		6,000
3107 Unexpended Appropriations – Used	6,000	
5700 Financing Sources from Appropriations Used		6,000
8802 Purchases of Capitalized Assets	6,000	
8801 Offset for Purchases of Capitalized Assets		6,000 ⁶

⁵ Note that pursuant to OMB requirements, the receivable, which is non-federal, will not be recognized for budgetary purposes unless and until collected.

⁶ See footnote 3, which applies here.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B110	B110-001	4901	4902	2110	1010	6,000
B302	B302-012	4801	4901	1712	2110	6,000
B134	B134-001			3107	5700	6,000
E202	E202-001			8802	8801	6,000

2-7. Construction of the building was completed, but not accepted. The contractor submitted an invoice for \$55,000, which was approved for payment less the \$10,000 advance that had been given in transaction 1-9, less a contract holdback of \$7,000. The holdback was to be paid pending final approval of the building by the DoD inspection team. Appropriate payables were established.

4801 Undelivered Orders Without Advances	45,000	
4802 Undelivered Orders With Advances	10,000	
4901 Delivered Orders – Payable		45,000
4902 Delivered Orders – Paid		10,000
1720 Construction Work in Progress	55,000	
1450 Prepayments		10,000
2130 Contract Holdbacks		7,000
2110 Accounts Payable		38,000
3107 Unexpended Appropriations – Used	55,000	
5700 Financing Sources from Appropriations Used		55,000
8802 Purchases of Capitalized Assets	55,000	
8801 Offset for Purchases of Capitalized Assets		55,000 ⁷

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B404	B404-038	4802	4902	1720	1450	10,000
B304	B304-039	4801	4901	1720	2110	38,000
B304	B304-111	4801	4901	1720	2130	7,000
B134	B134-001			3107	5700	55,000
E202	E202-001			8802	8801	55,000

2-8. The \$38,000 account payable established in transaction 2-7 was paid.

4901 Delivered Orders – Payable	38,000	
4902 Delivered Orders – Paid		38,000
2110 Accounts Payable	38,000	
1010 Fund Balance with Treasury		38,000

⁷ See footnote 3, which applies here.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B110	B110-001	4901	4902	2110	1010	38,000

2-9. The agency obligated \$4,500 to reimburse the operating appropriation for estimated salaries and benefits related to inspections.

4700 Commitments	4,500	
4801 Undelivered Orders Without Advances		4,500

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B204	B204-003	4700	4801			4,500

2-10. Costs incurred by the agency for inspection of the work by its employees, which were properly chargeable to the appropriation, were determined and allocated, based on hours of work, as follows:

	Land Impr.	Building	Total
Salaries	\$100	\$2,000	\$2,100
Benefits	30	600	630

These costs had been paid by another appropriation, for operations, which processes and funds the agency's payroll . The construction appropriation reimbursed the operating appropriation for the costs related to construction inspections.

4801 Undelivered Orders Without Advances	2,730	
4901 Delivered Orders – Unpaid		2,730
4901 Delivered Orders Unpaid	2,730	
4902 Delivered Orders – Paid		2,730
1712 Improvements to Land		130
1720 Construction in Progress		2,600
2110 Accounts Payable		2,730
2110 Accounts Payable	2,730	
1010 Fund Balance with Treasury		2,730
3107 Unexpended Appropriations – Used	2,730	
5700 Financing Sources from Appropriations Used		2,730

8802 Purchases of Capitalized Assets	2,730	
8801 Offset for Purchases of Capitalized Assets		2,730 ⁸

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B302	B302-012	4801	4901	1712	2110	130
B304	B304-039	4801	4901	1720	2110	2,600
B110	B110-001	4901	4902	2110	1010	2,730
B134	B134-001			3107	5700	2,730
E202	E202-001			8802	8801	2,730

2-11. A State agency notified DoD that it had determined that the amount of road traffic expected to be generated by the building's employees and vendors after the building was placed into service was so great as to warrant a traffic signal. State law provided that in such cases, DoD must either provide a signal acceptable to the State, which State work crews would install at no cost to DoD, or else provide or otherwise pay for the labor to install a signal which the State would provide. The DoD entity responsible for administering the construction appropriation and contracts located an unused traffic signal acceptable to the State in a GSA warehouse. GSA had no use for the signal, and transferred it to DoD without charge. The value of the signal was \$40, and of the fixed assets funded by the construction appropriation, it was determined to be most closely associated with right of egress to the land.

1711 Land and Land Rights	40	
5720 Non-Budgetary Transfers-In		40
8802 Purchases of Capitalized Assets	40	
8801 Offset for Purchases of Capitalized Assets		40 ⁹

⁸ See note 3, which applies here.

⁹ See footnote 3, which applies here. Note that for this transaction, the statement of financing would show non-budgetary resources of \$40, a reconciling item of resources used to acquire assets of \$40, and a net cost of operations of zero.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D853	D853-029			1711	5720	40
E202	E202-001			8802	8801	40

PRE-CLOSING TRIAL BALANCES

--FISCAL YEAR 2

Budgetary, proprietary, and memorandum trial balances of accounts at September 30, after transactions 2-1 through 2-11 have been added, are set forth below (debits as positive amounts, credits in parentheses).

Budgetary

4119 Other Appropriations Realized	\$ - 0 -
4201 Total Actual Resources – Collected	65,700
4450 Unapportioned Authority	- 0 -
4510 Apportionments	- 0 -
4610 Allotments	- 0 -
4700 Commitments	(200)
4801 Undelivered Orders without Advances	(1,770)
4802 Undelivered Orders with Advances	- 0 -
4881 Upward Adjustments of PY Undel Orders w/o Adv.	- 0 -
4901 Delivered Orders Payable	(7,000)
4902 Delivered Orders Paid	(56,730)
4972 Downward Adjustment of Prior-Year Del. Orders Paid	- 0 -

Proprietary

1010 Fund Balance with Treasury	\$ 8,970
1310 Accounts Receivable	50
1450 Prepayments	- 0 -
1711 Land and Land Rights	18,250
1712 Improvements to Land	6,130
1719 Accumulated Depreciation on Improvements to Land	- 0 -
1720 Construction-in-Progress	73,640
1730 Buildings, Improvements, and Renovations	- 0 -
1739 Accumulated Depreciation on Buildings	- 0 -
2110 Accounts Payable	- 0 -
2130 Contract Holdbacks	(7,000)
3100 Unexpended Appropriations – Cumulative	(65,700)
3101 Unexpended Appropriations – Received	- 0 -
3106 Unexpended Appropriations – Adjustments	- 0 -
3107 Unexpended Appropriations – Used	63,730
3310 Cumulative Results of Operations	(34,300)
5700 Financing Sources from Appropriations Used	(63,730)
5720 Non-Budgetary Transfers-in	(40)
6710 Depreciation Expense – Buildings	- 0 -
6710 Depreciation Expense – Land Improvements	- 0 -

Memorandum

8801 Offset for Purchases of Capitalized Assets	(\$63,770)
8802 Purchases of Capitalized Assets	63,770

**RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES
FISCAL YEAR 2**

Note that the following correct relationships between the various accounts in the trial balances hold (in addition to the standard “debits = credits” requirement). The arithmetic shown uses absolute values for the account balances. Balances are pre-closing unless indicated by a “B” (designating “beginning balance”).

- | |
|---|
| <ol style="list-style-type: none">1. $4201 - 4802 - 4902 + 4972 = 1010$ [$\\$65,700 - \\$-0- - \\$56,730 + \\$-0- = \\$8,970$]2. $4802 = 1450$ [$\\$-0- = \\$-0-$]3. $4901 = 2110 + 2130$ [$\\$7,000 = \\$-0- + \\$7,000$]4. $4901 - 4901B + 4902 - 4902B = 5700$ [$\\$7,000 - \\$-0- + \\$56,730 - \\$-0- = \\$63,730$]5. $3107 = 5700$ [$\\$63,730 = \\$63,730$]6. $8801 = 8802$ [$\\$63,770 = \\$63,770$] |
|---|

CLOSING ENTRIES – FISCAL YEAR 2

Closing entries for the budgetary, proprietary, and memorandum accounts are set forth below.

Budgetary Closing Entries

CB 2-1. Unobligated authority was consolidated into account 4650.

4700 Commitments 200
 4650 Allotments – Expired Authority¹⁰ 200

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F212	F212-008 or C130-008	4700	4650			200

CB 2-2. Budgetary cash accounts were consolidated.

4902 Delivered Orders Paid 56,730
 4201 Total Actual Resources – Collected 56,730

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F214	F214-001	4902	4201			56,730

Proprietary Closing Entries

CP 2-1 Cumulative Results of Operations was updated for expenses and financing sources during the year.

5700 Financing Sources from Appropriations Used 63,730
 5720 Non-budgetary Transfers-in 40
 3310 Cumulative Results of Operations 63,770

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-045			5700	3310	63,730
F228	F228-048			5720	3310	40

¹⁰ Note that the credit is to 4650 rather than 4450, because this is the end of the second year of the two-year appropriation, which has now expired.

CP 2-2. Cumulative Unexpended Appropriations was updated for appropriations received and used during the year.

3100 Unexpended Appropriations – Cumulative 63,730
 3107 Unexpended Appropriations – Used 63,730

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F233	F233-009			3100	3107	63,730

Memorandum Closing Entries

CM 2-1 To bring the memorandum accounts for direct acquisition of capitalized assets to zero.

8801 Offset for Purchases of Capitalized Assets 63,770
 8802 Purchases of Capitalized Assets 63,770

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F255	F255-001			8801	8802	63,770

POST-CLOSING TRIAL BALANCES

--FISCAL YEAR 2

Budgetary, proprietary, and memorandum trial balances of accounts at September 30, after closing entries, are set forth below (debits as positive amounts, credits in parentheses).

Budgetary

4119 Other Appropriations Realized	\$ - 0 -
4201 Total Actual Resources – Collected	8,970
4510 Apportionments	- 0 -
4610 Allotments	- 0 -
4650 Expired Authority	(200)
4700 Commitments	- 0 -
4801 Undelivered Orders without Advances	(1,770)
4802 Undelivered Orders with Advances	- 0 -
4881 Upward Adjustments of PY Undel Orders w/o Adv.	- 0 -
4901 Delivered Orders Payable	(7,000)
4902 Delivered Orders Paid	- 0 -
4972 Downward Adjustment of Prior-Year Del. Orders Paid	- 0 -

Proprietary

1010 Fund Balance with Treasury	\$ 8,970
1310 Accounts Receivable	50
1450 Prepayments	- 0 -
1711 Land and Land Rights	18,250
1712 Improvements to Land	6,130
1719 Accumulated Depreciation on Improvements to Land	- 0 -
1720 Construction-in-Progress	73,640
1730 Buildings, Improvements, and Renovations	- 0 -
1739 Accumulated Depreciation on Buildings	- 0 -
2110 Accounts Payable	- 0 -
2130 Contract Holdbacks	(7,000)
3100 Unexpended Appropriations – Cumulative	(1,970)
3101 Unexpended Appropriations – Received	- 0 -
3106 Unexpended Appropriations – Adjustments	- 0 -
3107 Unexpended Appropriations – Used	- 0 -
3310 Cumulative Results of Operations	(98,070)
5700 Financing Sources from Appropriations Used	- 0 -
5720 Non-Budgetary Transfers-in	- 0 -
6710 Depreciation Expense – Buildings	- 0 -
6710 Depreciation Expense – Land Improvements	- 0 -

Memorandum

8801 Offset for Purchases of Capitalized Assets	\$ - 0 -
8802 Purchases of Capitalized Assets	- 0 -

RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES FISCAL YEAR 2

Note that the following correct relationships between the various accounts in the trial balances hold (in addition to the standard “debits = credits” requirement). The arithmetic shown uses absolute values for the account balances.

1. $4201 - 4802 = 1010$ [$\$8,970 - \$-0- = \$8,970$]
2. $4802 = 1450$ [$\$-0- = \$-0-$]
3. $4901 = 2110 - 2130$ [$\$-0- = \$-0- + \$7,000$]
4. $8801 = 8802$ (both must be $\$-0-$) [$\$-0- = \$-0-$]

FINANCIAL STATEMENTS – FISCAL YEAR 2

The following condensed financial statements are illustrated:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance, which would have account balances of all zeros for Year 1) or an “E” (from the post-closing trial balance).

Construction Appropriation Entity Statement of Net Cost For Fiscal Year 2

None. (There are no expenses or exchange revenues for the entity.)

Construction Appropriation Entity Statement of Changes in Net Position For Fiscal Year 2

Cumulative Results of Operations:

		Crosswalk
Cumulative Results of Operations October 1	\$34,300	3310B
Financing Sources from Appropriations Used	63,730	5700
Non-Budgetary Transfers-in	<u>40</u>	5720
Cumulative Results of Operations September 30	<u>\$98,070</u>	Must = 3310E

Unexpended Appropriations:

Unexpended Appropriations October 1	\$65,700	3100B
Appropriations Used	<u>(63,730)</u>	3107
Unexpended Appropriations September 30	<u>\$ 1,970</u>	

**Construction Appropriation Entity
Statement of Budgetary Resources
For Fiscal Year 2**

RESOURCES

Unobligated Balance Forward	<u>\$4,700</u>	Crosswalk 4450B
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STATUS OF RESOURCES

Obligated	\$4,500		4801/2,4901/2,E-B
Unobligated - unavailable for new obligations	<u>200</u>	<u>\$4,700</u>	4650E

**RELATIONSHIP OF
OBLIGATIONS TO OUTLAYS**

Obligations	\$ 4,500		Crosswalk From Sec 2
Non-Cash Net Obligations ^(a)	<u>42,230</u>		Table (a)
Net Outlays		<u>\$46,730</u>	
Components of Net Outlays			
Disbursements		<u>\$46,730</u>	4802,4902E-B

^(a)*Non-Cash Net Obligations:*

	<u>Beginning of Year</u>	<u>End of Year</u>	<u>Change</u>
Undelivered Orders Without Advances	\$51,000	\$1,770	(\$49,230)
Budgetary Accounts Payable	<u>-0-</u>	<u>7,000</u>	<u>7,000</u>
Net Non-Cash Obligations	<u>\$ -0-</u>	<u>\$51,000</u>	<u>(\$42,230)</u>

Crosswalk for Non-Cash Net Obligations:

	<u>Beginning of Year</u>	<u>End of Year</u>
Undelivered Orders Without Advances	4801B	4801E
Budgetary Accounts Payable	4901B	4901E

**Construction Appropriation Entity
Statement of Financing
For Fiscal Year 2**

		Crosswalk
<i>Resources Used to Fund Activities</i>		
Net Obligations (from statement of budgetary resources)	\$4,500	SOBR, Sec 3
Non-budgetary Transfers-in (from statement of changes in net position)	<u>40</u>	5720
Total Resources Used to Fund Activities	4,540	
Items in Net Obligations Not		
Funding Net Cost of Operations:		
Decrease in undelivered Orders	\$59,230	4801/2E-B
Purchases of Assets and Capitalized Costs	<u>(63,770)</u>	8802
Net Cost of Operations	<u>\$ -0-</u>	

**Construction Appropriation Entity
Balance Sheet
At the End of Fiscal Year 2**

		Crosswalk
ASSETS		
Fund Balance with Treasury	\$ 8,970	1010
Accounts Receivable	50	1310
Land and Land Rights	18,250	1711
Improvements to Land	6,130	1712
Construction Work in Progress	<u>73,640</u>	1720
TOTAL ASSETS	<u>\$107,040</u>	
LIABILITIES		
Contract Holdbacks	\$ 7,000	2130
NET POSITION		
Unexpended Appropriations	\$ 1,970	3301E
Cumulative Results of Operations	<u>98,070</u>	3310E
TOTAL NET POSITION	<u>100,040</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$107,040</u>	

TRANSACTIONS – FISCAL YEAR 3

3-1. The \$50 of accounts receivable from vendor overpayments was collected.

4972 Downward Adjustments of Prior-Year Paid Delivered Orders-Obligations,Refunds Collected	50	
4650 Allotments – Expired Authority ¹¹		50
1010 Fund Balance with Treasury	50	
1310 Accounts Receivable		50
5700 Financing Sources from Appropriations Used	50	
3107 Unexpended Appropriations – Used		50
8801 Offset for Purchases of Capitalized Assets	50	
8802 Purchases of Capitalized Assets		50

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C132	C132-127	4972	4650	1010	1310	50
F255	F255-001			8801	8802	50
Reverse B134	Reverse B134-001			5700	3107	50

3-2. The building was inspected and approved, and the contract holdback was paid.

4901 Delivered Orders – Unpaid	7,000	
4902 Delivered Orders – Paid		7,000
2130 Contract Holdbacks	7,000	
1010 Fund Balance with Treasury		7,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B110	B110-003	4901	4902	2130	1010	7,000

3-3. The building, land, and land improvements were placed into service.

1730 Buildings	73,640	
1720 Construction in Progress		73,640

¹¹ Note that the credit is to expired authority, since the appropriation authority has expired.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D307	D307-002			1730	1720	73,640

3-4. Costs incurred by the agency for inspection of the work by its employees, which were properly chargeable to the appropriation, were \$1,500 for salaries and \$450 for benefits, all chargeable to the building. These costs had been paid by another appropriation, for operations, which processes and funds the agency's payroll . The construction appropriation reimbursed the operating appropriation for the costs related to construction inspections. Because only \$1,770 had been obligated, an upward adjustment to obligations was recorded.¹²

4650 Allotments – Expired Authority	180	
4700 Commitments		180
4700 Commitments	180	
4881 Upward Adjustment of Prior-Year Undelivered Orders Without Advances		180
4801 Undelivered Orders Without Advances	1,950	
4901 Delivered Orders – Unpaid		1,950
4901 Delivered Orders Unpaid	1,950	
4902 Delivered Orders Paid		1,950
1730 Buildings ¹³	1,950	
2110 Accounts Payable		1,950
2110 Accounts Payable	1,950	
1010 Fund Balance with Treasury		1,950
3107 Unexpended Appropriations – Used	1,950	
5700 Financing Sources from Appropriations Used		1,950
8802 Purchases of Capitalized Assets	1,950	
8801 Offset for Purchases of Capitalized Assets		1,950 ¹⁴

¹² The upward adjustment can be recorded to the extent of expired authority. Expired authority at the beginning of the year was \$200, and an additional \$50 of expired authority was recaptured in transaction 3-1. The resulting \$250 is more than enough to fund the \$180 upward adjustment of obligations.

¹³ Note that since the building has been placed in service (transaction 3-3), the debit must be to 1730. Account 1720 no longer applies.

¹⁴ See note 3, which applies here.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D118	D118-002	4650	4700			180
D116	D116-522	4700	4881			180
B302	B302-013	4801	4901	1730	2110	1,950
B110	B110-001	4901	4902	2110	1010	1,950
B134	B134-001			3107	5700	1,950
E202	E202-001			8802	8801	1,950

3-5. Depreciation of \$600 on the land improvements and 3,500 on the building was recorded at fiscal year-end.

6710 Depreciation Expense – Land Improvements	600	
1719 Accumulated Depr. on Improvements to Land		600
6710 Depreciation Expense – Building	3,500	
1739 Accumulated Depreciation on Buildings		3,500

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D514	D514-001			6710	1719	600
D514	D514-002			6710	1739	3,500

PRE-CLOSING TRIAL BALANCES

--FISCAL YEAR 3

Budgetary, proprietary, and memorandum trial balances of accounts at September 30, after transactions 2-1 through 2-11 have been added, are set forth below (debits as positive amounts, credits in parentheses).

4119 Other Appropriations Realized	\$ - 0 -
4201 Total Actual Resources – Collected	8,970
4510 Apportionments	- 0 -
4610 Allotments	- 0 -
4650 Expired Authority	(70)
4700 Commitments	- 0 -
4801 Undelivered Orders without Advances	180
4802 Undelivered Orders with Advances	- 0 -
4881 Upward Adjustments of PY Undel Orders w/o Adv.	(180)
4901 Delivered Orders Payable	- 0 -
4902 Delivered Orders Paid	(8,950)
4972 Downward Adjustment of Prior-Year Del. Orders Paid	50

Proprietary

1010 Fund Balance with Treasury	\$ 70
1310 Accounts Receivable	- 0 -
1450 Prepayments	- 0 -
1711 Land and Land Rights	18,250
1712 Improvements to Land	6,130
1719 Accumulated Depreciation on Improvements to Land	(600)
1720 Construction-in-Progress	- 0 -
1730 Buildings, Improvements, and Renovations	75,590
1739 Accumulated Depreciation on Buildings	(3,500)
2110 Accounts Payable	- 0 -
2130 Contract Holdbacks	- 0 -
3100 Unexpended Appropriations – Cumulative	(1,970)
3101 Unexpended Appropriations – Received	- 0 -
3106 Unexpended Appropriations – Adjustments	- 0 -
3107 Unexpended Appropriations – Used	1,900
3310 Cumulative Results of Operations	(98,070)
5700 Financing Sources from Appropriations Used	(1,900)
5720 Non-Budgetary Transfers-in	- 0 -
6710 Depreciation Expense – Buildings	3,500
6710 Depreciation Expense – Land Improvements	600

Memorandum

8801 Offset for Purchases of Capitalized Assets	\$ (1,900)
8802 Purchases of Capitalized Assets	1,900

RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES FISCAL YEAR 3

Note that the following correct relationships between the various accounts in the trial balances hold (in addition to the standard “debits = credits” requirement). The arithmetic shown uses absolute values for the account balances. Balances are pre-closing unless indicated by a “B” (designating “beginning balance”).

1. $4201 - 4802 - 4902 + 4972 = 1010$ [$\$8,970 - \$-0- - \$8,950 + \$50 = \$70$]
2. $4802 = 1450$ [$\$-0- = \$-0-$]
3. $4901 = 2110 + 2130$ [$\$-0- = \$-0- + \$-0-$]
4. $4901 - 4901B + 4902 - 4902B - 4972 = 5700$ [$\$0 - \$7,000 + \$8,950 - \$-0- - \$50 = \$1,900$]
5. $3107 = 5700$ [$\$1,900 = \$1,900$]
6. $8801 = 8802$ [$\$1,900 = \$1,900$]

CLOSING ENTRIES – FISCAL YEAR 3

Closing entries for the budgetary, proprietary, and memorandum accounts are set forth below.

Budgetary Closing Entries

CB 3-1. Undelivered Orders without Advances were consolidated.

4881 Upward Adjustment of PY Undel Ord w/o Adv. 180
4801 Undelivered Orders without Advances 180

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F226	F226-002	4881	4801			180

CB 3-2. Budgetary cash accounts were consolidated.

4902 Delivered Orders Paid 8,950
4201 Total Actual Resources – Collected 8,900
4972 Downward Adjustment of PY Del. Orders – Paid 50

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F214	F214-001	4902	4201			8,900
F216	F216-002	4902	4972			50

Proprietary Closing Entries

CP 3-1 Cumulative Results of Operations was updated for expenses and financing sources during the year.

5700 Financing Sources from Appropriations Used	1,900	
3310 Cumulative Results of Operations	2,200	
6710 Depreciation Expense – Buildings		3,500
6710 Depreciation Expense – Land Improvements		600

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-045			5700	3310	1,900
F228	F228-028			3310	6710	4,100

CP 3-2. Cumulative Unexpended Appropriations was updated for appropriations received and used during the year.

3100 Unexpended Appropriations – Cumulative	1,900	
3107 Unexpended Appropriations – Used		1,900

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F233	F233-009			3100	3107	1,900

Memorandum Closing Entries

CM 3-1 To bring the memorandum accounts for direct acquisition of capitalized assets to zero.

8801 Offset for Purchases of Capitalized Assets	1,900	
8802 Purchases of Capitalized Assets		1,900

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F255	F255-001			8801	8802	1,900

POST-CLOSING TRIAL BALANCES

--FISCAL YEAR 3

Budgetary, proprietary, and memorandum trial balances of accounts at September 30, after closing entries, are set forth below (debits as positive amounts, credits in parentheses).

4119 Other Appropriations Realized	\$ - 0 -
4201 Total Actual Resources – Collected	70
4510 Apportionments	- 0 -
4610 Allotments	- 0 -
4650 Expired Authority	(70)
4700 Commitments	- 0 -
4801 Undelivered Orders without Advances	- 0 -
4802 Undelivered Orders with Advances	- 0 -
4881 Upward Adjustments of PY Undel Orders w/o Adv.	- 0 -
4901 Delivered Orders Payable	- 0 -
4902 Delivered Orders Paid	- 0 -
4972 Downward Adjustment of Prior-Year Del. Orders Paid	- 0 -
<i>Proprietary</i>	
1010 Fund Balance with Treasury	\$ 70
1310 Accounts Receivable	- 0 -
1450 Prepayments	- 0 -
1711 Land and Land Rights	18,250
1712 Improvements to Land	6,130
1719 Accumulated Depreciation on Improvements to Land	(600)
1720 Construction-in-Progress	- 0 -
1730 Buildings, Improvements, and Renovations	75,590
1739 Accumulated Depreciation on Buildings	(3,500)
2110 Accounts Payable	- 0 -
2130 Contract Holdbacks	- 0 -
3100 Unexpended Appropriations – Cumulative	(70)
3101 Unexpended Appropriations – Received	- 0 -
3106 Unexpended Appropriations – Adjustments	- 0 -
3107 Unexpended Appropriations – Used	- 0 -
3310 Cumulative Results of Operations	(95,870)
5700 Financing Sources from Appropriations Used	- 0 -
5720 Non-Budgetary Transfers-in	- 0 -
6710 Depreciation Expense – Buildings	- 0 -
6710 Depreciation Expense – Land Improvements	- 0 -
<i>Memorandum</i>	
8801 Offset for Purchases of Capitalized Assets	\$ (1,900)
8802 Purchases of Capitalized Assets	1,900

RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES FISCAL YEAR 3

Note that the following correct relationships between the various accounts in the trial balances hold (in addition to the standard “debits = credits” requirement). The arithmetic shown uses absolute values for the account balances.

1. $4201 - 4802 = 1010$ [$\$70 - \$0 = \$70$]
2. $4802 = 1450$ [$\$0 = \0]
3. $4901 = 2110 + 2130$ [$\$0 = \$0 + \$0$]
4. $8801 = 8802$ (both must be $\$0$) [$\$0 = \0]

FINANCIAL STATEMENTS – FISCAL YEAR 3

The following condensed financial statements are illustrated:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance, which would have account balances of all zeros for Year 1) or an “E” (from the post-closing trial balance).

**Construction Appropriation Entity
Statement of Net Cost
For Fiscal Year 3**

Expenses:

Depreciation Expense – Buildings	\$3,500
Depreciation Expense – Land Improvements	<u>600</u>
Net Cost of Operations	<u>\$4,100</u>

**Construction Appropriation Entity
Statement of Changes in Net Position
For Fiscal Year 3**

Cumulative Results of Operations:

Cumulative Results of Operations October 1	\$98,070	Crosswalk
Net Cost of Operations	(4,100)	3310B
Financing Sources from Appropriations Used	<u>1,900</u>	From Stmt of N.C.
Cumulative Results of Operations September 30	<u>\$95,870</u>	5700
		Must = 3310E

Unexpended Appropriations:

Unexpended Appropriations October 1	\$1,970	3100B
Appropriations Used	<u>(1,900)</u>	3107
Unexpended Appropriations September 30	<u>\$ 70</u>	

**Construction Appropriation Entity
Statement of Budgetary Resources
For Fiscal Year 3**

RESOURCES

Unobligated Balance Forward	\$200	Crosswalk
Collection of Prior-Year Public Vendor Overpmts.	<u>50</u>	4450B
Total Resources	<u>\$250</u>	4972

STATUS OF RESOURCES

Obligated	\$180	4801/2,4901/2,E-B;4881
Unobligated - unavailable for new obligations	<u>70</u>	4450E
Total Status of Resources	<u>\$250</u>	

**RELATIONSHIP OF
OBLIGATIONS TO OUTLAYS**

Obligations	\$ 180	Crosswalk
Less Offsetting Collections	<u>(50)</u>	From Sec 2
Net Obligations	130	From Sec. 1
Non-Cash Net Obligations ^(a)	<u>8,770</u>	Table (a)
Net Outlays	<u>\$8,900</u>	
Components of Net Outlays		
Disbursements	\$8,950	4802/4902E-B
Collections	<u>(50)</u>	4972
Net Outlays	<u>\$8,900</u>	

^(a)*Non-Cash Net Obligations:*

	<u>Beginning of Year</u>	<u>End of Year</u>	<u>Change</u>
Undelivered Orders Without Advances	\$1,770	\$ -0-	(\$1,770)
Budgetary Accounts Payable	<u>7,000</u>	<u>- 0 -</u>	<u>(7,000)</u>
Net Non-Cash Obligations	<u>\$8,770</u>	<u>\$ - 0 -</u>	<u>(\$8,770)</u>

Crosswalk for Non-Cash Net Obligations:

	<u>Beginning of Year</u>	<u>End of Year</u>
Undelivered Orders Without Advances	4801B	4801E
Budgetary Accounts Payable	4901B	4901E

**Construction Appropriation Entity
Statement of Financing
For Fiscal Year 3**

		Crosswalk
<i>Resources Used to Fund Activities</i>		
Net Obligations (from statement of budgetary resources)	\$ 130	SOBR, Sec 3
Items in Net Obligations Not		
Funding Net Cost of Operations:		
Decrease in Undelivered Orders	\$1,770	4801/2E-B
Purchases of Assets and Capitalized Costs	<u>(1,900)</u>	8802
Resources Funding Costs	- 0 -	
Expenses Not Requiring Resources:		
Depreciation Expense	<u>4,100</u>	6710
Net Cost of Operations	<u>\$4,100</u>	

**Construction Appropriation Entity
Balance Sheet
At the End of Fiscal Year 3**

ASSETS		Crosswalk
Fund Balance with Treasury	\$ 70	1010
Land and Land Rights	18,250	1711
Improvements to Land	\$ 6,130	1712
Less Accumulated Depreciation	<u>(600)</u>	1719
Building	75,590	1730
Less Accumulated Depreciation	<u>3,500</u>	1739
TOTAL ASSETS	<u>\$95,940</u>	
NET POSITION		
Unexpended Appropriations	\$ 70	3301E
Cumulative Results of Operations	<u>95,870</u>	3310E
TOTAL NET POSITION	<u>\$95,940</u>	

BEGINNING BALANCES – YEAR 7

4-1 There were no transactions for years 4-6, except that at the beginning of Year 4, in accordance with agency policy, the fixed assets and their accumulated depreciation were “rolled over” into a makeshift fund symbol not reported in the budgetary reports, which was designed by the agency to consolidate fixed asset accounts in the records.¹⁵

Subsequent depreciation expense on the buildings and land improvements was recorded in that designated fund symbol. This was in accordance with agency policy to make such rollovers in the year following completion of constructed or purchased fixed assets when the assets are acquired by special appropriations designated for the purpose. The entry made to do this was:

5730 Financing Srces Trsfed Out Without Reimb. ¹⁶	95,870	
1719 Accumulated Depreciation on Land Improvements	600	
1739 Accumulated Depreciation on Buildings	3,500	
1711 Land and Land Rights		18,250
1712 Land Improvements		6,130
1730 Building		75,590

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D809	D809-033			1719	5730	600
D809	D809-034			1739	5730	3,500
D809	D809-035			5730	1711	18,250
D809	D809-036			5730	1712	6,130
D809	D809-037			5730	1730	75,590

¹⁵ The transfer could also have been made at the end of Year 3, but to allow the completed real property to be shown in the financial statements, the case assumed transfer at the beginning of Year 4.

¹⁶ This would have been closed to 3310 at the end of Year 4.

Thus, the budgetary and proprietary trial balances at the beginning of year 7 were as follows (resulting from the post-closing trial balance for Fiscal Year 3 and the entry above):

Budgetary

4201 Total Actual Resources – Collected	\$70
4650 Allotments - Expired Authority	(70)

Proprietary

1010 Fund Balance with Treasury	\$70
3100 Unexpended Appropriations – Cumulative	(70)

TRANSACTIONS – YEAR 7

7-1 The appropriation authority was canceled at the end of the year, and the remaining cash was transferred back to Treasury.¹⁷

4650 Allotments – Expired Authority	70	
4350 Canceled Authority		70
3106 Unexpended Appropriations – Adjustments	70	
1010 Fund Balance with Treasury		70

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F120	F120-001	4650	4350	3106	1010	70

¹⁷ This is in accordance with the requirement in P.L. 101-510, often referred to as the “M-Account Legislation,” which provides that authority which expires is canceled at the end of the fifth year after expiration. The case assumes that the appropriation presented is subject to the legislation.

PRE-CLOSING TRIAL BALANCES

--FISCAL YEAR 7

Budgetary, proprietary, and memorandum trial balances of accounts at September 30, after transaction 7-1 has been added, are set forth below (debits as positive amounts, credits in parentheses).

Budgetary

4201 Total Actual Resources – Collected	\$70
4350 Canceled Authority	(70)

*** [Note that 4201 must equal 4350.] ***

Proprietary

3100 Unexpended Appropriations – Cumulative	(\$70)
3106 Unexpended Appropriations – Adjustments	70

CLOSING ENTRIES—FISCAL YEAR 7

Budgetary

None

Proprietary

CP 7-1. To consolidate unexpended appropriations.

3100 Unexpended Appropriations – Cumulative	70	
3106 Unexpended Appropriations – Adjustments		70

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F233	F233-008			3100	3106	70

POST-CLOSING TRIAL BALANCES

--FISCAL YEAR 7

PCB 7-1. Budgetary, proprietary, and memorandum trial balances of accounts at September 30, after closing entries, are set forth below (debits as positive amounts, credits in parentheses).

Budgetary

4201 Total Actual Resources – Collected	\$70
4350 Canceled Authority	(70)

*** [Note that 4201 must equal 4350.] ***

Proprietary

All proprietary accounts are closed.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
Reverse B316	Reverse B316-001 budgetary only	4201	4350			70

FINANCIAL STATEMENTS – FISCAL YEAR 7

There is no statement of net cost, statement of financing, or balance sheet to report for Year 7. The two statements which would be prepared—the statement of changes in net position and statement of budgetary resources—are presented in condensed form below.

Construction Appropriation Entity Statement of Changes in Net Position For Fiscal Year 7

Unexpended Appropriations:

Unexpended Appropriations October 1	\$70	Crosswalk 3100B
Appropriations Canceled	<u>(70)</u>	3106
Unexpended Appropriations September 30	<u>\$-0-</u>	Must = 3100E

Construction Appropriation Entity Statement of Budgetary Resources For Fiscal Year 7

Resources:

Unobligated Balance Forward	\$70	Crosswalk 4650B
Cancellation of Authority.	<u>(70)</u>	4350
Total Resources	<u>\$-0-</u>	

* * * * * *This is the end of the case.* * * * * *